

**STATE OF ILLINOIS**  
**ILLINOIS COMMERCE COMMISSION**

WISCONSIN ENERGY CORPORATION,	)	
INTEGRYS ENERGY GROUP, INC.,	)	
PEOPLES ENERGY, LLC, THE PEOPLES	)	
GAS LIGHT AND COKE COMPANY,	)	
NORTH SHORE GAS COMPANY, ATC	)	
MANAGEMENT INC., and AMERICAN	)	
TRANSMISSION COMPANY LLC	)	
	)	
Application pursuant to Section 7-204 of the	)	Docket No. 14-0496
Public Utilities Act for authority to engage in a	)	
Reorganization, to enter into agreements with	)	
affiliated interests pursuant to Section 7-101, and	)	
for such other approvals as may be required	)	
under the Public Utilities Act to effectuate the	)	
Reorganization.	)	

Supplemental Reply Testimony of  
**ALLEN L. LEVERETT**  
President – Wisconsin Energy Corporation  
  
On Behalf of  
Wisconsin Energy Corporation

**PUBLIC VERSION**

## **TABLE OF CONTENTS**

<b>I.</b>	<b>INTRODUCTION AND BACKGROUND .....</b>	<b>1</b>
<b>A.</b>	<b>Witness Identification .....</b>	<b>1</b>
<b>B.</b>	<b>Purposes of Supplemental Reply Testimony .....</b>	<b>1</b>
<b>C.</b>	<b>Summary of Conclusions.....</b>	<b>1</b>
<b>D.</b>	<b>Itemized Attachments to Rebuttal Testimony.....</b>	<b>2</b>
<b>II.</b>	<b>REPLY TO THE TESTIMONY OF MESSRS. CHEAKS AND COPPOLA.....</b>	<b>3</b>
<b>III.</b>	<b>CONCLUSION .....</b>	<b>11</b>

1     **I.     INTRODUCTION AND BACKGROUND**

2             **A.     Witness Identification**

3     **Q.     Please state your name and business address.**

4     A.     My name is Allen L. Leverett. My business address is Wisconsin Energy Corporation  
5             ("Wisconsin Energy"), 231 West Michigan Street, Milwaukee, Wisconsin 53203.

6     **Q.     Are you the same Allen L. Leverett who provided direct, rebuttal, and supplemental**  
7             **rebuttal testimony on behalf of Wisconsin Energy in this docket?**

8     A.     Yes.

9             **B.     Purposes of Supplemental Reply Testimony**

10    **Q.     What are the purposes of your supplemental reply testimony in this proceeding?**

11    A.     My supplemental reply testimony addresses the testimony of City of Chicago ("City")  
12             and Citizens Utility Board ("CUB") (collectively "City/CUB") witness William Cheaks,  
13             Jr., and Office of the Illinois Attorney General ("AG") witness Sebastian Coppola  
14             concerning the interim report prepared by The Liberty Consulting Group ("Liberty")  
15             regarding its investigation of The Peoples Gas Light and Coke Company's ("Peoples  
16             Gas") Accelerated Main Replacement Program ("AMRP"), which was attached to Illinois  
17             Commerce Commission ("Commission" or "ICC") Staff witness Harold Stoller's rebuttal  
18             testimony as Attachment A CONFIDENTIAL (the "Interim Report").

19             **C.     Summary of Conclusions**

20    **Q.     Please summarize the conclusions of your supplemental reply testimony.**

21    A.     In my supplemental reply testimony, I respond to Messrs. Cheaks' and Coppola's  
22             incorrect conclusions regarding the Joint Applicants' commitment to improving the

23 AMRP. As shown in my supplemental rebuttal testimony and the supplemental rebuttal  
24 testimony of Andrew Hesselbach, the Joint Applicants are ready, willing and able to  
25 implement the AMRP consistent with Liberty's ultimate recommendations in its final  
26 report, in accordance with the procedures and conditions outlined in Staff's and the Joint  
27 Applicants' rebuttal testimony.<sup>1</sup> Further, while they are in their initial stages and subject  
28 to revisions and refinements, Wisconsin Energy intends to fully support the positive  
29 initiatives begun by Integrys and Peoples Gas in collaboration with Liberty after the  
30 approval and close of the proposed Reorganization. Contrary to Messrs. Cheaks' and  
31 Coppola's claims, the Joint Applicants have not failed to acknowledge problems with or  
32 the need to improve the AMRP, but rather, the Joint Applicants' position has been that  
33 this proceeding is not the correct place to evaluate and/or make changes to the AMRP.  
34 That evaluation and improvement of the AMRP is taking place pursuant to the  
35 procedures established by the Commission with respect to the Liberty investigation, and  
36 imposing conditions with respect to the AMRP in this proceeding threatens to interfere  
37 and/or conflict with the final recommendations to be made by Liberty in its final report.

38 **D. Itemized Attachments to Rebuttal Testimony**

39 **Q. Are you sponsoring any exhibits with your rebuttal testimony?**

40 **A.** Yes, I have attached the following exhibit to my testimony:

- 41 • A copy of the Joint Applicants' response to City data request City 4.04, attached  
42 as Joint Applicants Ex. 14.1.

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<sup>1</sup> Unless otherwise indicated, capitalized terms in this supplemental reply testimony herein have the same meaning as in the witness' direct testimony.

44 **II. REPLY TO THE TESTIMONY OF MESSRS. CHEAKS AND COPPOLA**

45 **Q. Do you agree with Messrs. Cheaks and Coppola that the Joint Applicants have**  
46 **failed to acknowledge problems with the AMRP or embrace the need for**  
47 **improvements to the AMRP?**

48 A. No. The Joint Applicants have not said that there is no need to improve the management  
49 and implementation of the AMRP. Rather, they have taken the position that this  
50 proceeding, which concerns whether the Commission should approve the proposed  
51 Reorganization, is not the proper place in which to evaluate past AMRP performance or  
52 craft substantive improvements to the AMRP. As explained by Staff witness Harold  
53 Stoller in his rebuttal testimony (ICC Staff Ex. 8.0, at 9-10), the Commission ordered an  
54 in-depth investigation by engineering consultants – Liberty – to provide a detailed expert  
55 evaluation of how the AMRP was being implemented and, in a final report, provide  
56 recommendations to be implemented by Peoples Gas. This was to be a multi-year  
57 process, with a year devoted to the investigation itself, after which there will be a period  
58 where Staff works with Liberty and Peoples Gas to determine which of Liberty’s final  
59 recommendations should be implemented and how, followed by a two-year verification  
60 process. (*Id.* at 10-11; *North Shore Gas Co., The Peoples Gas Light and Coke Co. –*  
61 *Proposed General Increase in Rates*, ICC Docket Nos. 12-0511/12-0512 (cons.), Order  
62 (June 18, 2013) at 61 (“*Peoples Gas 2012 Rate Case*”)) The processes and procedures  
63 established by the Commission for Liberty’s investigation and the implementation of the  
64 final recommendations from Liberty – which provide for the final reports from Liberty on  
65 its investigation and verification being submitted in future Peoples Gas rate cases – are  
66 the appropriate forum for evaluating and improving the AMRP.

67 **Q. What about the concern expressed by Mr. Cheaks that based on commitments and**  
68 **conditions proposed in this proceeding, there may not be a Peoples Gas rate case for**  
69 **several years in which the Commission could “act” on Liberty’s final report?**

70 A. I do not agree that the implementation of final recommendations from Liberty will need  
71 to wait for a Peoples Gas rate case absent action by the Commission in this proceeding.  
72 It is my understanding that pursuant to the Commission’s order in the *Peoples Gas 2012*  
73 *Rate Case*, as well as conditions the Joint Applicants have agreed to in this proceeding,  
74 Peoples Gas will begin work on implementing Liberty’s final recommendations as and  
75 when they are issued. This process is described in my earlier rebuttal testimony and the  
76 rebuttal testimony of Staff witnesses Mr. Stoller and Eric Lounsberry. Further, as  
77 explained in the Interim Report itself, Peoples Gas already has undertaken a number of  
78 positive initiatives to address the preliminary findings and recommendations made by  
79 Liberty, which, as I stated in my supplemental rebuttal, Wisconsin Energy intends to fully  
80 support after the close of the proposed Reorganization. Moreover, as stated by the Joint  
81 Applicants and Staff in response to the AG’s motion concerning the Interim Report, the  
82 Commission could initiate a separate docket for the purposes of examining the Liberty  
83 investigation report if necessary. The opening of such a docket would be a better option  
84 than attempting to squeeze an analysis of the AMRP into this proceeding. A separate  
85 docket would provide an orderly and comprehensive means for the Commission, the Joint  
86 Applicants, Staff, and interested parties to address any concerns raised by the Liberty  
87 investigation report, and would not be subject to the statutory deadline of Section 7-204.

88 **Q. What is your response to the statements made by Messrs. Cheaks and Coppola in**  
89 **their testimony questioning the Joint Applicants' willingness and ability to**  
90 **implement the extensive improvements to the AMRP that Liberty may recommend?**

91 A. As I stated above and in my earlier direct and rebuttal testimony, the Joint Applicants are  
92 committed to improving the AMRP. Wisconsin Energy agrees with Integrys' and  
93 Peoples Gas' current initiatives designed in collaboration with the Liberty investigation  
94 to improve the management and implementation of the AMRP. After the proposed  
95 Reorganization closes, Wisconsin Energy intends to support fully the commitments and  
96 initiatives previously undertaken by Integrys and Peoples Gas. As I stated in my  
97 supplemental rebuttal testimony, the Joint Applicants will work with Liberty and Staff to  
98 monitor the effectiveness of such initiatives and refine them when and where it is  
99 determined that further changes should be made. Further, in addition to the existing  
100 obligations on Peoples Gas pursuant to the Commission's *Peoples Gas 2012 Rate Case*  
101 Order, the Joint Applicants have agreed to the Commission conditioning its approval of  
102 the proposed Reorganization on Peoples Gas implementing the recommendations  
103 contained in Liberty's final report that are possible to implement, practical and  
104 reasonable, and cost effective, and providing an alternative plan to accomplish the goals  
105 of any final recommendations that are not. (See JA Ex. 6.0 at 16-17; ICC Staff Ex. 9.0, at  
106 6-7) Further, the Joint Applicants have agreed to a condition that they cooperate fully  
107 with Staff and Liberty as they work to verify the appropriate implementation of Liberty's  
108 final recommendations. (*Id.*) These commitments and conditions demonstrate that the  
109 Joint Applicants are ready, willing and able to implement the AMRP consistent with the  
110 additional remedies to be recommended in Liberty's final report.

111 **Q. What is your response to Mr. Coppola's testimony regarding the condition from**  
112 **your rebuttal testimony that the Joint Applicants would provide semi-annual**  
113 **reports to the Commission on Peoples Gas' implementation of Liberty's**  
114 **recommendations beginning in 2018 being inadequate (AG Ex. 5.0, at 11-13)?**

115 A. Mr. Coppola's testimony fails to acknowledge the complete context concerning this  
116 condition and misconstrues its purpose. The Joint Applicants agreed to this condition  
117 that was proposed by Staff witness Mr. Lounsberry in his direct testimony. (See ICC  
118 Staff Ex. 2.0, at 17-18). The purpose of this condition is not to provide for the only  
119 reporting regarding the implementation of Liberty's recommendations. Rather, as the  
120 text of the condition itself demonstrates, it is to keep the Commission apprised of any  
121 changes in how Liberty's final recommendations are being implemented after the two-  
122 year verification process provided for by the Commission in its *Peoples Gas 2012 Rate*  
123 *Case Order* in which Liberty and Staff will work with Peoples Gas to ensure the  
124 appropriate implementation of Liberty's final recommendations. This does not mean that  
125 the Commission will not be kept apprised of progress made on Liberty's final  
126 recommendations before then. Indeed, the Commission's Staff will be involved in the  
127 implementation process. I also understand that there are annual proceedings with respect  
128 to Peoples Gas' Rider QIP, Qualifying Infrastructure Plant, in which AMRP investments  
129 will be reviewed and thus, to the extent relevant, findings and recommendations from  
130 Liberty's final report may be considered in those proceedings. Further, because the  
131 implementation of Liberty's final recommendations will be governed by the condition  
132 agreed to by the Joint Applicants discussed above, the Joint Applicants will be required  
133 to file a semi-annual compliance report regarding its progress on satisfying this condition



134 and have such compliance addressed by the WEC Energy Group's CEO in an annual  
135 report to the Commission. (See JA Ex. 6.0, at 4, 35-36; ICC Staff Ex. 6.0, at 9-10) Thus,  
136 Mr. Coppola's critique is misplaced.

137 **Q. What is your response to the testimony of Messrs. Cheaks and Coppola that the**  
138 **Interim Report finds that [REDACTED]**  
139 **[REDACTED]**  
140 **[REDACTED]?**

141 A. My response is the same as stated at page 8, lines 157-169, of my supplemental rebuttal  
142 testimony. In particular, I repeat that neither I nor any other member of Wisconsin  
143 Energy's management has told, instructed, or otherwise suggested to Integrys' or Peoples  
144 Gas' management that they should [REDACTED]  
145 pending approval of the proposed Reorganization. As I have stated earlier in my  
146 testimony, Wisconsin Energy agrees that Integrys and Peoples Gas should not delay any  
147 efforts or actions designed in collaboration with the Liberty investigation to improve the  
148 management and implementation of the AMRP. To the extent there was a [REDACTED]  
149 [REDACTED]  
150 [REDACTED]  
151 [REDACTED], the Interim Report indicates that [REDACTED]  
152 [REDACTED]. (See Interim  
153 Report at pp. 2-3, 10-11) Messrs. Cheaks' and Coppola's testimony incorrectly suggests  
154 that there has been a "wait-and-see" approach to implementing immediate improvements  
155 to the AMRP pending approval of the proposed Reorganization, a suggestion belied by  
156 the Interim Report's acknowledgement of [REDACTED]

157 [REDACTED]

158 [REDACTED]. (See Interim Report at 8-9, 13-14, 18, 23, 25-29, Appendix B)

159 **Q. Do you have a response to Mr. Cheaks' testimony that with respect to agreements**  
160 **between Liberty and Peoples Gas' senior management on [REDACTED]**  
161 **[REDACTED], these individuals in senior management will be replaced as part**  
162 **of the proposed Reorganization?**

163 A. Yes. The only announcement made concerning decisions regarding management  
164 personnel that will occur after the closing of the proposed Reorganization involve  
165 positions at the top holding company that will be formed – WEC Energy Group, Inc.  
166 (“WEC Energy Group”). No announcements or decisions have yet been made regarding  
167 personnel decisions with respect to the executive officers of Peoples Gas. Moreover, as I  
168 have stated here and in my supplemental rebuttal testimony, Wisconsin Energy intends to  
169 fully support the commitments and initiatives previously undertaken by Integrys and  
170 Peoples Gas, and the [REDACTED]  
171 [REDACTED] will be continued or refined, subject to the same  
172 process of review, revision and refinement as are all of the preliminary findings and  
173 recommendations being made in the Interim Report as Liberty's investigation continues,  
174 and final recommendations are worked through. One of Wisconsin Energy's most  
175 important goals is to continue the progress that is being made in improving the AMRP.

176 **Q. Do you have a response to Mr. Cheaks' claim in his testimony that the Joint**  
177 **Applicants have made “vehement claims” that the location and “on the ground”**  
178 **availability of AMRP management personnel is not relevant to AMRP performance**  
179 **as part of the proposed Reorganization (City/CUB Ex. 9.0, at 6:101-105)?**

180 A. Yes. Respectfully, it is my opinion that this statement by Mr. Cheaks misrepresents the  
181 positions taken by the Joint Applicants in the present proceeding. While the Joint  
182 Applicants rightfully have asserted that the location of the holding company's corporate  
183 headquarters and residency of its directors are not relevant to whether or not the interests  
184 of Peoples Gas' and North Shore's customers will be adequately considered in holding  
185 company decision-making for the utilities, the Joint Applicants consistently have  
186 committed to the Gas Companies maintaining local headquarters and management. (*See*  
187 *Application at 10, JA Ex. 1.0, at 16-17; JA Ex. 6.0, at 9-11*) Consistent with this  
188 position, the Joint Applicants agree with an initiative [REDACTED]  
189 [REDACTED] as preliminarily recommended by Liberty. (*See*  
190 *Interim Report at 18; JA Ex. 12.0, at 10:205-216; JA Ex. 13.0, at 4:89 – 5:106*)

191 **Q. In his testimony, Mr. Cheaks references (but does not attach) a data request**  
192 **response concerning Wisconsin Energy's failure to track or be aware of "fees, fines,**  
193 **or penalties" paid for non-compliance with the City of Milwaukee's regulations**  
194 **regarding making repairs in the Public Way, and appears to characterize this**  
195 **response as evidence of inability to manage the implementation of improvements to**  
196 **the AMRP (*see City/CUB Ex. 9.0, at 7:119-130*).<sup>2</sup> Do you have a response to this**  
197 **testimony?**

198 A. Yes. I disagree with the implications of Mr. Cheaks' testimony and believe it completely  
199 mischaracterizes the responses to the data request that he references, which I have  
200 attached hereto as Joint Applicants Ex. 14.1. As reflected in that response, the lack of

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<sup>2</sup> Mr. Cheaks refers to City/CUB Ex. 3.1 submitted with his direct testimony as containing the Joint Applicants' response to City data request City 4.04. (*See City/CUB Ex. 9.0, at 7:125*) A review of this group exhibit served on the parties and filed on e-Docket reveals that the Joint Applicants' response to City data request City 4.04 was not included as part City/CUB Ex. 3.1.

201 awareness regarding fines or penalties for noncompliance with the unspecified  
202 Milwaukee regulations does not reflect a cavalier attitude or lack of attention to  
203 compliance with the regulations of the jurisdictions in which Wisconsin Energy operates.  
204 Rather, this response reflects the fact that to the best of Wisconsin Energy's knowledge, it  
205 has not been fined or penalized by the City of Milwaukee with respect to repairs in the  
206 right of way because the company has complied with those regulations. This is a positive  
207 example of Wisconsin Energy's management's experience in managing capital projects  
208 and operational work in an urban environment, which supports the Joint Applicants'  
209 assertion that the proposed Reorganization will not adversely affect the Gas Companies'  
210 performance.

211 **Q. Both Messrs. Cheaks and Coppola rely on the preliminary findings and**  
212 **recommendations of the Interim Report to support their claims that the**  
213 **Commission should impose their specific substantive conditions concerning AMRP**  
214 **work plans and implementation strategies proposed in their testimony. (See AG Ex.**  
215 **5.0, at 11-12; City/CUB Ex. 9.0, at 5-6, 8). Do you have a response to this testimony?**

216 A. Yes. Both Messrs. Cheaks' and Coppola's conclusions ignore the fact that, as explained  
217 by Staff witness Mr. Stoller in his rebuttal testimony, the Interim Report is *preliminary*  
218 *only* and should not be the basis for Commission action in this proceeding: "Liberty has  
219 significant investigative and analytical work yet to do and its final positions about  
220 problems and solutions may change significantly. I do not believe the Commission  
221 should try to resolve in this proceeding any AMRP problems that Liberty has only  
222 preliminarily identified and about which it has formulated preliminary  
223 recommendations." (ICC Staff Ex. 8.0, at 9-10) The specific substantive conditions

proposed by Messrs. Cheaks and Coppola with respect to the AMRP thus actually could interfere or conflict with the ultimate findings and recommendations to be made by Liberty in its final report after the completion of its investigation. As explained above and in Mr. Stoller's rebuttal testimony, this proceeding does not present the proper time or venue in which to substantively fix the AMRP. The Commission already has established a process with respect to the Liberty investigation to do so in a comprehensive and organized fashion that will be binding on Peoples Gas regardless of its ultimate parent company. The Commission should not allow the AG and City/CUB to interfere with or disrupt that process in this proceeding.

**III. CONCLUSION**

**Q. Does this conclude your supplemental reply testimony?**

**A.** Yes, it does.